

From 1st January next year, about 3,100 industrial electricity customers in Serbia will have to improve their supply contract, which means that EPS will have to fight for customers at medium voltage. Electricity traders complain that EPS will retain a monopoly anyway. The legal framework for the opening of electricity market for customers at medium voltage is ready for 1st January 2014, the Law on Energy is enacted, and it is the energy strategy by 2025, it was founded a public company EPS Supply as a public supplier and it were licensed more than 60 suppliers - of which 27 are actively on the market. It remains to be seen whether all defects will be corrected at the beginning of the next year and will the procedures be established in order that approximately 3,100 customers could freely choose the electricity supplier.

To the Serbia Power Utility Company, as the operator of the distribution network, remains to set up a modern meters on the key sites, to make consumption curves for customers categories and to establish operator communication protocols on the transmission and distribution systems.

Recently there are complaints of electricity suppliers, potential suppliers of these customers, that there even would not be the real electricity market as EPS still was holding a monopoly in electricity prices under economic prices. Answering them, the Acting General Director of EPS, Aleksandar Obradovic said that the monopoly, which EPS had, was not a privilege.

"EPS had the privilege of delivering energy at a price below the market price, why he has lost about six billion EUR in the past 13 years. EPS also has the privilege to sell the electricity to customers who do not pay their bills. Otherwise, EPS is already on the market - from the beginning of this year. The proof that the market exists is that from 1st January this year, when was open the market for customers at high voltage, we have lost three percent of the market, that is one good customer, who pays regularly. It will also continue in the future; GEN-I, which has assumed Messer, and other suppliers will compete for the best customers and paying customers. EPS will have to deal with debt problems and consumers who are unable to pay, and the electricity cannot be deprived to them because they are important for the economy functioning (such as railways, for example) or for the citizens' safety and security (hospital) ... "said Obradovic.

Stating that EPS, in order to match to the market business, needs to increase efficiency, Obradovic said that this public company has to fulfill a number of requirements: to reduce costs, to respond more quickly to market changes, and as a public company it is not able to do it because it has the obligation for public procurement announcement, which can block everyone, and in that way, in fact, to stop the production. Also, it must focus on the best customers.

"We do not seek privileged but an equal position with competitors. EPS cannot be a Serbian economy motor as a loser, but only as a strong and profitable company ", stated the

minister.

State Secretary in the Ministry of Energy, Dejan Novakovic said that the legal framework for the electricity market liberalization was set, and development of energy strategy was currently working on, which included both science and profession.

“Today the EPS system is the healthiest in Serbia. The company has retained the knowledge, and we are looking now how to improve resources, both to accompany change “, said Novakovic.

Although the legal framework has been complete there still can be done some corrections and amendments, so amendment on the energy law and rules on the distribution system is underway to ensure that all agreed with the EU’s Third energy package. Speaking about the opening of the market Ljiljana Hadzibabic, the member of the Energy Agency of the Republic of Serbia, said that by exit on the market, buyers would suffer a big change, not only because of possible suppliers changes, but also due to higher electricity prices, which are expected.

“Before the market opening it is important to establish rules on how customers can change their supplier and that it would be easy for them. The process of changing suppliers can be up to 21 days. The main requirement is that the customer finds a new supplier, and to adjust all obligations with the old one, which does not necessarily mean that he has to pay the debt”, said Hadzibabic, noting that from 1st January this year 9.5 percent of the market has been opened (consumers at high voltage). If the losses in transmission and distribution system are also counted within it that is 25 per cent. From the beginning of 2014. the market will have from 40 to 45 percent of final consumption, and with the losses it will reach about 60 percent of electricity consumption in Serbia.

“For the free market it is necessary to know how to calculate electricity and balance responsibility. This takes a lot more modern meters, with whose acquisition EPS has had great difficulty until now. Fortunately, the law allows the calculation of the consumption curves, and these curves should be made from the existing base”, explains Hadzibabic. With the opening continuation of the electricity market the troubles wait for customers and they should be prepared. Large companies do so. By law, all providers need to publish general conditions of supply.

One of the problems that buyers might have is the fact that now there are five companies for the electricity distribution, and if it remains so also in 2014, the customers who have the same consumption in different parts of Serbia will receive different accounts. According to the analysis of Zeljko Markovic, Director of the EPS distribution, half of Serbia will be discriminated with higher electricity bills and precisely poorer part of Serbia. For example, the active electricity is 140 per cent more expensive than in the distribution Center than in Electro distribution – Belgrade. On the example of one paper factory, Markovic presented calculations that from 1st January 2014. a consumer who lives in Belgrade will have for 28

percent higher bills, while the consumer who lives in the territory of PD Center will pay for 48 percent higher electricity bill.

“The unique operator of the distribution system will be more resilient to possible market distortions, it will have lower costs due to centralization and the money could be allocated where it is most needed. All shortcomings of the unique operator can be removed by the good governance, but the disadvantages of five separate distributions existing cannot because they are physical barriers “, explained Markovic, pointing that different electricity prices (due to transfer costs) in various parts of Serbia could significantly affect the uneven regional development.

Markovic also pointed out that, if a unique distribution system operator would not be established, a consumer from the household category, for which the market will be liberalized from 1st January 2015, in the area of current electro distribution Southeast would pay nearly 20 percent more expensive electricity than in Belgrade.

To the electricity traders who, during the discussion, were interested in the details of previous customers’ consumption at medium voltage, Markovic said that “consumption curves” would be completed by 1st January next year.

Markovic said that the ODS will provide services to all suppliers under equal terms. Also it will find a way to inform customers that the ODS as the energy supplier is responsible for the network operation, supply security (continuity) and quality of supplied electricity.

Dejan Vasic, director of EPS Supply, said that the company informed customers who from 1st January 2014. would not have right to the regulated supply price that must contract supply with one of the suppliers on the open market, including the EPS supply. Who would not have a supplier, will be temporarily at a very expensive backup supply, and then disconnected from the network.

Private suppliers have expressed objection that EPS offered contracts to customers with the electricity price for just one euro more than the price of the reference Hungarian market, which no trader can offer

“It is impractical to pack up also the balancing costs in just one euro. No electricity supplier can provide such a cheap supply with balancing costs. EPS uses its potential to sell electricity below market price and there is no competition “, remarked Vladimir Djordjevic from Rudnap group.

However, according to Aleksandar Obradovic, the evidence that the market exists is that the company GEN-I offered this year to Messer lower price than EPS.

Commenting on this situation Ljiljana Hadzibabic said it was not possible to neutralize the monopoly of EPS Supply on the market, nor the knowledge and information that EPS has gained for years about customers and consumption in Serbia as traditionally the only supplier.

“But it is important to prevent normatively and under market surveillance abuse of this

monopoly, and in particular to ensure transparent and non-discriminatory treatment of the transmission and distribution system”, said member of AERS Council.

The director of one of the five distributions, PD Center from Kragujevac Sanja Tucakovic, pointed out that the EPS is faced with the risk that many companies will try to win the market by selling electricity below the economic cost.

Source; Serbia Energy